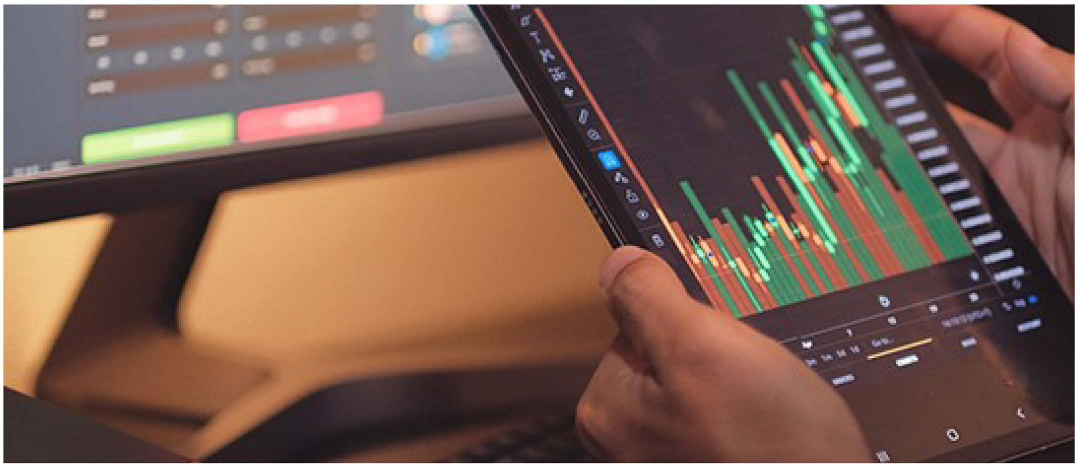

Article MARKET COMMENTARY

Weekly round-up: 17 - 21 March

Tom Watts recaps the past week's events and looks ahead to the next.

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This week

Given the name Maewyn Succat at birth, years later being captured on a beach and taken to Ireland to be sold to a farmer, only to be forced to live with the animals, life started out badly for the man who would eventually become a priest called Patrick.

Widely accredited of spreading Christianity throughout Ireland and symbolically driving the snakes from the country, Monday saw a host of celebrations throughout the world to mark St Patrick's day. From 13 million pints of the black stuff being drunk around the world, to the River Charles in Boston being dyed green, there is a truly a spectrum of traditions to celebrate his life…

However, whilst the colour green is often associated with St Patrick, early depictions almost always show him in blue robes, which is what he was known for at the time. Indeed, it was the American market that had felt the blues on Monday, with a slew of weak economic data, that saw bourses slip into the red. Empire State manufacturing figures, depicting the level of economic activity in New York state, plummeted by the most in nearly two years, coming in a reading of -20 against expectations of just -1.9.

The report stated that new orders and shipments declined and that Input prices increased at the fastest pace in more than two years, with selling price increases also continuing to pick up, causing optimism about the economic outlook to wane considerably for a second consecutive month.

Dublin' the amount is US data released on Monday, we also received retail sales figures, a key piece of information when assessing the strength of the consumer. Whilst the data showed retail sales rebounded marginally in February, it also highlighted that consumers did pull back on discretionary spending, reinforcing growing uncertainty over the economy against the backdrop of tariffs and mass layoffs of federal government workers.

Reaffirming the impact of government job losses, Bank of America card data this week showed early signs of softening discretionary spending at restaurants during February, in the Washington D.C area.

Staying with US, the middle of the week saw the Federal Reserve hold rates as anticipated. However, it was the bank's forward guidance that would have piqued investor interest, especially with the uncertainty increased tariffs from Washington were inflicting the economy over recent weeks.

In true Irish style, it was the *harp*ing on in the accompanying announcement that really moved markets. Acknowledging rising risks to both growth and inflation, it seems the Fed remains hesitant to price in a lasting inflation surge or a significant economic blow from Trump's trade policies, with Chair, Jerome Powell, stressing that uncertainty was high and that the central bank was waiting for greater clarity. The message clearly resonated with US markets, with the broadest American index surging 1.1% on the day.

Failing to really (sham) rock domestic markets, Thursday saw the Bank of England (BoE) follow their American peers and hold rates, after cutting by 0.25% last month. The BoE's Monetary Policy Committee seemed almost unanimous this time around, voting 8-1 to maintain borrowing costs at 4.5%. The main message was that there had been little in the way of domestic economic developments since their last meeting in February, although uncertainty on international level, predominantly brought about by Donald Trump's trade tariffs, had markedly increased.

Speaking to the media after the announcement, the Governor of the bank, Andrew Bailey, commented that "We have to be quite careful at this point in how we calibrate our response because we're still seeing a very gradual fall in inflation. We need to accumulate the evidence." Effectively warning of assumptions that the bank would carry on cutting throughout the year, especially as that very morning, stronger than expected labour data was released.

Private sector pay, excluding bonuses, a key gauge for the BoE, rose by 6.1% in the three months to January, compared with the same period a year earlier, data showed. In a further sign of a stabilising jobs market, the number of job vacancies for the December-to-February period stood at 816,000, the first increase when comparing a three-month period with the previous one, since April 2022. Good news for those who worried that a few *craics* may start appearing in the UK's labour force after October's Budget…

Next week

With one more week to go before the clocks go forward, investors will have to make use of all 48 hours given to them over the weekend, as a potentially pivotal week comes into view for markets, starting early on Monday.

Data should start coming through as early as 8am as to how companies are seeing the global economy with Monday morning seeing a mass of Purchasing Manager's Index (PMI) readings released. Covering both the Manufacturing and Services sectors for Germany, France, an overall European composite, the UK and US, there will be a lot to digest. The readings will give us an invaluable sense of the global economy at a company level with businesses being asked to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries and inventories.

The middle of the week sees Chancellor, Rachel Reeves, break out the famous red ballot box once more, as she delivers the Spring Statement. With government borrowing for February shown to be £10.7bn last month, much higher than the £6.5bn the government's independent forecaster had predicted, it looks like some tough decisions will have to be made.

The Chancellor is expected to announce new spending cuts, on top of the welfare cuts already unveiled, to meet her self-imposed rules for the economy, which the Treasury reiterated were "non-negotiable".

Next week's budget announcement should come directly after the UK's monthly inflation data potentially heaping further pressure on the government if prices are seen to be rising once again. The inflation data will also be closely monitored across London at the Bank of England, who abstained from cutting rates last week.

The week should be wrapped up nicely in the US on Friday as the American Bureau of Economic Analysis releases its latest Core PCE Price Index reading. Predicted to have quite the impact on the markets after its release, the data differs from normal inflation readings in that it only measures goods and services targeted towards and consumed by individuals. CPI readings also only covers out-of-pocket expenditures on goods and services purchased. It excludes other expenditures that are not paid for directly, for example, medical care which is usually paid for by insurance in the US. These are, however, included in the PCE.

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Risk warning

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